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Taxpayer Compliance Improves to 97.9% of Taxes Due

OLYMPIA – Aug. 25, 2010 – Registered businesses voluntarily pay 97.9 percent of taxes due, a 0.4% improvement since the last taxpayer compliance study was conducted in 2008, the Department of Revenue reported today.

The biennial compliance study found that businesses paid all but \$235.4 million of state taxes due in 2006 based on audits conducted by the Department over a four-year period, a noncompliance rate of 2.1 percent of their total tax liability.

Businesses reported \$10.8 billion in sales, use, business and occupation, public utility and other taxes in 2006. The Department collects the remaining unpaid tax through audits and other enforcement efforts.

“This extremely high level of voluntary compliance tells me that businesses do try very hard to understand and comply with state tax laws,” Revenue Director Cindi Holmstrom said. “We’ve worked hard to provide them with the information they need, and that effort clearly has paid off.”

Use tax had the highest level of noncompliance for businesses at 23 percent, with nearly \$89.1 million in unreported tax. Use tax is due on goods purchased without paying sales tax. Unreported sales tax totaled \$75.8 million, but this represented only 1 percent of total sales tax liability.

The largest dollar amount of noncompliance was \$57 million for the retail industry – a noncompliance rate of 1.3 percent. The highest rate of noncompliance was in the transportation and utility industry at 4.5 percent, which also represented the second largest dollar amount at \$47 million.

Holmstrom noted that newer firms and smaller firms tend to have higher levels of noncompliance than larger, older firms, and that highlights the importance of early taxpayer education.

The full report is available at

http://dor.wa.gov/Docs/Reports/Compliance_Study/compliance_study_2010.pdf.

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